

Volume No. 1—Policies & Procedures	TOPIC NO. 50510
Function No. 50000 — Payroll Accounting	TOPIC UNPAID LEAVES OF ABSENCES AND OVERPAYMENTS
Function 50500—Paying the Employee	DATE October 2004

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Overview

Introduction Salaried employees who have unpaid leaves of absence may receive zero payments or partial payments for hours worked. Partial payments, sometimes known as docked pay, result when an employee does not have sufficient leave to cover an absence from work. Once the absence meets a specified period, as determined by the Department of Human Resource Management (DHRM), the employee is considered in a Leave Without Pay Status (LWOP). The LWOP may be voluntary or involuntary, and can affect both pay and benefits the employee is entitled to receive.

Leave Without Pay Procedures

Notification Agencies must have policies and procedures in place for proper payroll notification of unpaid leaves of absences. Agency personnel, supervisors, and administrators must submit and process employee leave forms on a timely basis to ensure timely and accurate leave data is available in order to avoid unanticipated leave without pay (LWOP) situations.

For periods of LWOP that are less than a full pay period, the information should contain at a minimum the following:

- Employee Name and Number.
- Number of hours to be docked.
- The dates and the pay period the absence occurred.

According to DHRM Policy 4.45, periods of LWOP in excess of 14 or more consecutive calendar days must be reported in the Personnel Management Information System (PMIS), and a P-3 or its substitute should be generated for payroll processing. The P-3 or its substitute should reflect the type of LWOP, which helps determine what benefits are due the employee, and their duration.

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Leave Without Pay Procedures, Continued

Recurring Leave Without Pay

Agencies should monitor employees with recurring periods of LWOP and institute appropriate policies to discourage and prevent such situations. For example, employees who incur a LWOP status more than twice in any twelve-month period may be subjected to special measures such as direct communication of attendance among the employee's supervisor, agency Human Resources, and Payroll. In addition, agency policies should support timely processing of timesheets and leave slips, and encourage employees to monitor personal leave balances to avoid unanticipated LWOP conditions.

LWOP Impact on Pay

The semi-monthly salary of an employee on LWOP must be reduced by the dollar value of the time missed. The value of time missed is determined by multiplying the number of LWOP hours by the hourly rate as described in DHRM's *Schedule of Standard Rates of Pay*. If the LWOP crosses pay periods, each pay period in which the LWOP occurred must be docked appropriately. The associated transaction must be entered as a time and attendance transaction. See CAPP Topic No. 50505, *Time and Attendance*, for information. Take the following steps for employees whose LWOP results in zero pay:

Screen	Benefit Entitlement	Action
H0BID	N/A	Change the TIME CARD STATUS to "0" (Non-automatic).
H10AS	Not entitled to Group Life Insurance,	Change the Imputed Life frequency to "00".
	Entitled to Group Life Insurance,	Leave the Imputed Life frequency "09" and process a special pay transaction for Imputed Life. See CAPP Topic No. 50515, <i>Special Payments</i> , and CAPP Topic No. 50425, <i>Group and Optional Life Insurance</i> , for more information.
H0BES	Not entitled to Benefits,	Enter a "2" in the EMPLOYMENT STATUS field and the LWOP date in the START LEAVE DATE field. If this date is not entered, CIPPS will assume the last day of the pay period and may pay the employee if the TIME CARD STATUS is left automatic.

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Leave Without Pay Procedures, Continued

LWOP Impact on Benefits

Depending on the type of LWOP and the duration, the employee's benefit entitlement may change. The P-3 reflects the LWOP type. Deduction overrides may be required to ensure accurate payroll deduction calculation. The following chart illustrates the benefit levels for selected LWOP types. Refer to DHRM's *Administration of The Commonwealth of Virginia Health Benefits Program* (<http://www.dhrm.state.va.us/hbenefits/hbhandbooks/HIM.pdf>) and VRS's *Payroll Manual* for more information.

LWOP Type	Healthcare		Retirement	Group Life	Flexible Reimbursement
	Coverage	Premium			
Less than 14 days	No change.	No Change.	Continues based on reduced salary.	Continues	Employee can continue to participate on an after tax basis.
Leave Share					
Personal	6 months	Employee pays entire agency/employee premium.	State makes no contribution. No service credit.	Coverage may continue 24 months. State makes full contribution	
Educational	12 months				
Agency Convenience	4 months	No change.			
Layoff	12 months				
Medical					
Military	No coverage				

Void Payments

In some cases, information concerning a docking is received after the date employee payments have been produced. Agencies must establish policies and procedures supporting their determination of when they will void and reissue payments in these circumstances. Keep in mind, although safeguarding Commonwealth assets and avoiding collection problems are major concerns, voids are not always necessary. The timing of the close of the pay period relative to the distribution of checks on payday should allow sufficient time for the agency to determine whether the employee has worked sufficient hours in the subsequent pay period to recover the LWOP docking from subsequent earnings should the need arise. See CAPP Topic No. 50530, *Void Payments*, for more information and guidelines.

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Overpayments

Overpayments Overpayments may result from unreported periods of LWOP and late, slow, or incorrect paperwork (e.g., timesheets, leave slips). Agencies must take appropriate steps to collect overpayments. Agency policies and procedures governing the collection of overpayments should be established and communicated in writing for employees. The procedures for recovery of overpayments differ depending upon whether the employee is active or terminated.

Active Employees Employees should be notified of the overpayment and given repayment options within the guidelines established by the agency. Repayment options may include full payment by personal check or a mutually agreeable payroll docking schedule. The docking schedule may call for partial payments over multiple pay periods, but in no cases should the repayment occur over a longer period of time than the overpayment occurred. For example:

- Employee overpaid for one period, the employee's pay should be reduced by the amount of the overpayment in one pay period.
- Employee overpaid for four pay periods, the employee's pay should be reduced over four pay periods to recover the overpayment.

If the agency is reimbursed by personal check, the employee's masterfile information must be updated to reflect the repayment. See CAPP Topic No. 50705, *Employee and Tax Masterfile Updates*, for more information. Special procedures are required if the overpayment and collection occur in different calendar years.

Recoveries processed through CIPPS automatically adjust the employee's masterfile information, so no further action is required.

Terminated Employees Overpayments to terminated employees must be collected through agency established collection procedures. See CAPP Topic No. 20505, *Accounts Receivable* for more information. Once the overpayment has been collected, the employee's masterfile information must be updated to reflect the repayment. See CAPP Topic No. 50705, *Employee and Tax Masterfile Updates*, for more information.

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Internal Control

Internal Control

Agencies are responsible for accurate and complete timekeeping ensuring that all periods of LWOP are reported and salary payments are docked accordingly. Agencies must implement policies and procedures concerning LWOP and overpayments. All reductions in an employee's salary should be properly authorized and entered into CIPPS correctly and timely.

Records Retention

Time Period

All CIPPS payroll records should be retained for a period of 5 years or until audited, whichever is longer. Agency policy and procedures determine the retention of the related agency source documents/records.

Records Retention

DOA Contact

Manager, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

Payroll Business Analyst/Trainer
Voice: (804) 225-3120 or (804) 225-3079
E-mail: Payroll@doa.virginia.gov

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Subject Cross References

References

CAPP Topic No. 20505, *Accounts Receivable*
 CAPP Topic No. 50425, *Group and Optional Life Insurance*
 CAPP Topic No. 50505, *Time and Attendance*
 CAPP Topic No. 50515, *Special Payments*
 CAPP Topic No. 50530, *Void Payments*
 CAPP Topic No. 50705, *Employee and Tax Masterfile Updates*
 DHRM - *Administration of The COV Health Benefits Program*
 VRS - *Payroll Manual*
